

DEPARTMENT OF STATE TELEGRAM

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C O N F I D E N T I A L

LIMITED OFFICIAL USE EC BRUSSELS 4774

SUB: IBM PLANS FOR EUROPE

REF: EC A178 OF 6/23/72

1. IBM HAS CATEGORICALLY DENIED BOTH TO THE PRESS AND INFORMALLY TO USEC PRESS REPORTS WHICH APPEARED LAST WEEKEND INDICATING THAT IT PLANNED TO "FLOAT OFF" ITS EUROPEAN OPERATIONS AND FINANCE THE NEW ENTITY WITH A STOCK ISSUE OF TWO BILLION POUNDS STERLING. IBM OFFICIALS HERE TELL US THAT IN THE COURSE OF ITS STRATEGIC PLANNING IBM HAS CONSIDERED PROPOSALS SIMILAR TO THIS AND MANY OTHERS. NONE SIMILAR TO THIS HAVE BEEN FOUND WORKABLE, HOWEVER. IN ADDITION, THEY NOTE THAT SUCH A PROPOSAL IS A LEGAL IMPOSSIBILITY AT THE PRESENT TIME DUE TO A COURT INJUNCTION REQUIRING BUSINESS AS USUAL PENDING THE OUTCOME OF AN ANTI-TRUST

State Dept. review completed

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SUIT IN THE UNITED STATES.

2. A STORY ALSO APPEARED IN THE DECEMBER 3 LONDON SUNDAY TIMES CONCERNING THE EC COMMISSION'S MEMORANDUM ON COMPUTER POLICY WHICH WILL PROBABLY BE COMPLETED AND TRANSMITTED TO THE COUNCIL IN JANUARY OR FEBRUARY. THE ARTICLE GOES ON TO SAY THAT, "AS LONG AS SIX MONTHS AGO COMMISSION OFFICIALS WERE SUGGESTING THAT IT (IBM) SHOULD HIVE OFF ITS EUROPEAN OPERATIONS AND ALLOW EUROPEAN SHAREHOLDER PARTICIPATION, TO PROVE THAT THEY WERE SINCERE ABOUT BEING A REALLY EUROPEAN COMPANY". A HIGH COMMISSION OFFICIAL WAS QUOTED AS SAYING THAT THE COMMISSION IS ONLY INTERESTED IN SOMETHING MORE SERIOUS THAN A TOKEN EUROPEAN PRESENCE AND THAT, "AS WELL AS BEING AMERICAN, IBM IS JUST TOO BLOODY BIG."

3. IBM OFFICIALS (PROTECT SOURCE) ATTRIBUTE THESE STATEMENTS TO CHRISTOPHER LAYTON WHO IS CHEF DE CABINET TO SPINELLI, EC COMMISSIONER RESPONSIBLE FOR INDUSTRIAL POLICY. IN A MEETING WITH SPINELLI AND LAYTON MENTIONED IN REFAIRGRAM, IBM WORLD TRADE CORP. EXECUTIVE MAISONROUGE ASKED WHAT IBM COULD DO TO ESTABLISH MORE OF A EUROPEAN IDENTITY. LAYTON REPORTEDLY TOOK THE OPPORTUNITY TO GIVE A LONG EXPOSE OF HIS VIEWS ON THE NEED FOR AUTONOMOUS OR SEMI-AUTONOMOUS EUROPEAN OPERATION WHICH WOULD HAVE A EUROPEAN FINANCIAL BASE. MAISONROUGE POINTED OUT THAT SUCH A RADICAL CHANGE IN IBM'S FINANCIAL BASE WOULD REQUIRE UNDERWRITING WHICH NO EUROPEAN CAPITAL MARKET COULD HANDLE WITHOUT CAUSING SEVERE ECONOMIC DISLOCATIONS. IBM OFFICIALS ARE CONVINCED THAT THW SOURCE OF THIS STORY IS LAYTON AND ARE BITTER AT THE FACT THAT HE HAS APPARENTLY LEAKED TO THE PRESS SO MUCH CONCERNING THEIR PRIVATE CONVERSATIONS WITH SPINELLI LAST MARCH. DECON AFTER DECEMBER 6, 1974.

GREENWALD

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